

Message Text

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CEA: NORDHAUS
TREASURY: H JUNZ
EB/ITP: W BARRACLOUGH
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O 201607Z MAY 78
FM SECSTATE WASHDC
TO AMEMBASSY PARIS IMMEDIATE
AMEMBASSY BONN IMMEDIATE
AMEMBASSY LONDON IMMEDIATE
AMEMBASSY OTTAWA IMMEDIATE
AMEMBASSY TOKYO IMMEDIATE
AMEMBASSY STOCKHOLM IMMEDIATE
AMEMBASSY BRUSSELS IMMEDIATE
AMEMBASSY BERN IMMEDIATE
AMEMBASSY ROME IMMEDIATE
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INFO FOR USOECD, USEEC

E.O. 11652: N/A

TAGS: EGEN, OECD

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SUBJECT: POSITIVE ADJUSTMENT POLICIES

1. THE OECD SECRETARIAT AT THE APRIL 14 MEETING OF XCSS
PRESENTED A THOUGHTFUL ANALYSIS ON THE NEED FOR POSITIVE
ADJUSTMENT POLICIES AS PART OF ANY OVERALL PACKAGE TO
FOSTER SUSTAINED NON-INFLATIONARY GROWTH IN MEMBER COUNTRIES.
THE IDEAS SET FORTH AT THAT TIME WERE GENERALLY WELL RECEIVED

AND A SCENARIO WAS LATER AGREED TO PREPARE THE ISSUE FOR CONSIDERATION AT THE OECD MINISTERIAL JUNE 14-15. THAT SCENARIO INCLUDES A HEADS OF DELEGATION MEETING MAY 23, AN EXPERTS GROUP FROM CAPITALS MAY 29 (POSSIBLY EXTENDING TO MAY 30) AND FINAL CONSIDERATION BY HEADS OF DELEGATION PRIOR TO THE MINISTERIAL. A SECRETARIAT PAPER, REPEATED TO YOU SEPTEL, WILL BE THE BASIS FOR SUBSTANTIVE DISCUSSION OF THE ISSUE AT THE MAY 23 MEETING.

2. THE U.S. STRONGLY SUPPORTS THE SECRETARIAT'S INITIATIVE AND WE WISH TO ENSURE THAT OTHER MEMBER GOVERNMENTS ARE FULLY AWARE OF OUR VIEWS AND GIVE THE POSITIVE ADJUSTMENT ISSUE THE SERIOUS CONSIDERATION AND SUPPORT WHICH WE BELIEVE IT MERITS. ACTION ADDRESSEES ARE THEREFORE REQUESTED TO APPROACH APPROPRIATE HOST GOVERNMENT OFFICIALS MAY 22 TO CONVEY U.S. VIEWS ALONG FOLLOWING LINES.

3. -- USG ENDORSES OECD EFFORT TO ADDRESS POSITIVE ADJUSTMENT POLICIES IN THE JUNE MINISTERIAL. WE BELIEVE IT IS AN ESSENTIAL ELEMENT OF ANY STRATEGY FOR SUSTAINED NON-INFLATIONARY GROWTH.

-- THE PAPER PREPARED BY THE SECRETARIAT FOR CONSIDERATION AT THE MAY 23 HEADS OF DELEGATION MEETING IS A GENERALLY EXCELLENT ANALYSIS OF THE IMPORTANCE OF THE ISSUE AND THE APPROPRIATE DIRECTION WHICH ADJUSTMENT POLICIES LIMITED OFFICIAL USE

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SHOULD TAKE. WE BELIEVE IT SHOULD SERVE AS THE BASIS FOR A POLITICAL LEVEL STATEMENT BY MINISTERS IN THE COMMUNIQUE OF THE JUNE MEETING.

-- WE HOPE THAT THE QUESTION OF POSITIVE ADJUSTMENT POLICIES IS BEING GIVEN SERIOUS CONSIDERATION BY THE HOST GOVERNMENT AND THAT IT WILL SUPPORT EFFORTS TO HAVE THE MINISTERS MAKE A PUBLIC COMMITMENT TO POSITIVE ADJUSTMENT.

-- WE BELIEVE THE EXPERTS GROUP WHICH MEETS MAY 29 WILL BE MOST IMPORTANT IN SYNTHESIZING THE ISSUE FOR THE MINISTERIAL. WE ARE SENDING A HIGH LEVEL GROUP OF EXPERTS LED BY WILLIAM NORDHAUS, A MEMBER OF THE PRESIDENT'S COUNCIL OF ECONOMIC ADVISERS. WE HOPE THAT OTHER COUNTRIES WILL FIELD SIMILAR POLICY LEVEL EXPERTS.

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